

MeglioQuesto

Sector: Customer Experience Management (CXM)



2Q23 not so strong. GDP slowdown starting to bite?

MeglioQuesto (MQ) is a leading domestic player in outsourced omnichannel customer interaction / experience (CX) business, across several industries ranging from telco to financial services, retail & e-commerce.

1H23 Financials slightly lower than full year VT estimates

MeglioQuesto 2Q-1H23 preliminary figures came out slightly lower than VT full year estimates but almost in line with 1Q23 trend in terms of Revenues and EBITDA Adj. while Net Debt was worse than expected. We highlight:

- ◆ Value of Production €48.5-49.5mn (€33.1mn in 1H22), supported by the digital channel and by finance clients;
- ◆ EBITDA Adj. at €8.2-8.7mn (1H22 €6.0mn);
- ◆ EBITDA €6.5-7.0mn (1H22 €5.4mn);
- ◆ Net Debt ≤€35mn (€29.5mn in 1Q23), explained by some M&A cash-out (ca. €2.3mn) and substantial investments towards lead generation.

Worthy to note, the BoD announced the establishment of the Internal Audit function in order to have a tighter control on financial risks.

Downwards fine tuning of 2023E-25E estimates

Waiting for the final 1H23 figures, we fine tune downwards 2023E-25E forecasts. We remind that back in March the company unveiled its new industrial plan and 3-year vision more focused on self-lead generation and aimed at becoming Phygital Marketplace leader, i.e. omnichannel one-stop shop of reference for customer experiences.

As far as 2023E is concerned, our new estimates are in the lower part of the targets announced by the company in terms of Top Line and EBITDA Adj., while a bit worse in terms of Net Debt.

As far as 2025E, we are a bit more cautious than MQSPA targets, but basically assuming a proper take-off of the new initiatives that are going to be launched by the company.

We warn that visibility on such a proper take-off is quite low at the moment and that uncertainties on GDP slowdown do not help visibility as well.

Fair Value at €1.50 p/s (from €2.29 p/s)

CX stocks multiples have suffered a derating in the latest months affected by increasing fears of macroeconomic slowdown. This adds to the downwards revision of MQSPA estimates and lead our fair value on the stock at €1.50 p/s. (from €2.29). At €1.50 p/s the stock would trade at 9.8x EV/EBITDA, 14.8x EV/EBIT, 21.8x P/E 2023E, almost in line with Italian Peers average.

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Fair Value (€)	1.50
Market Price (€)	0.52
Market Cap. (€m)	33.0

KEY FINANCIALS (€mn)	2022PF	2023E	2024E
VALUE OF PRODUCTION	86.3	103.1	120.6
EBITDA ADJ.	15.1	18.0	23.6
EBIT	7.4	10.2	13.7
NET PROFIT	2.4	4.4	7.4
ADJ. NET PROFIT	2.4	4.4	7.4
OpFCF a.t.	na	1.1	5.5
EQUITY	32.8	42.0	57.0
NET FIN. POSITION	-30.3	-31.1	-27.6

Source: MeglioQuesto (historical figures), Value Track (2023E-24E estimates)

KEY RATIOS	2022PF	2023E	2024E
EBITDA ADJ. MARGIN (%)	17.6	17.4	19.6
EBIT MARGIN (%)	8.6	9.9	11.4
NET DEBT / EBITDA ADJ. (x)	2.0	1.7	1.2
NET DEBT / EQUITY (%)	92.3	74.0	48.4
ENTERPRISE VALUE (€mn)(*)	91.0	76.8	67.4
EV/SALES (x)	1.0	0.9	0.6
EV/EBITDA ADJ. (x)	6.0	5.1	3.3
EV/EBIT (x)	12.2	8.9	5.6

Source: MeglioQuesto (historical figures), Value Track (2023E-24E estimates) (*) Incl. Minorities worth ca. €24mn-€17mn (23E-24E)

STOCK DATA

FAIR VALUE (€)	1.50
MARKET PRICE (€)	0.52
SHS. OUT. (m)	63.4
MARKET CAP. (€m)	33.0
FREE FLOAT (%)	28.4
AVG. -20D VOL. (#)	34,075
RIC / BBG	MQSPA.MI / MQSPA IM
52 WK RANGE	0.50-2.19

Source: Stock Market Data

EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON MEGLIOQUESTO SHARES



Business Description

MeglioQuesto (“MQ”) is a leading domestic player in outsourced omnichannel customer experience (CX) business, across several industries ranging from telco to financial services, from retail & e-Commerce to healthcare sector. MQ provides two types of outsourced CX services: 1) Customer Acquisition (CA), i.e. convert leads into contracts; 2) Customer Management (CM), i.e. retain as long as possible acquired customers. MQ engages consumers at every touch point in the consumer lifecycle, deployed on three integrated channels: voice, digital and human.

Key Financials

Key Financials (€mn)	2022PF	2023E	2024E	2025E
Value of Production	86.3	103.1	120.6	138.7
Chg. % YoY	20.3%	30.0%	17.0%	15.0%
EBITDA Reported	13.8	15.5	21.1	27.7
EBITDA Margin (%)	16.0%	15.0%	17.5%	20.0%
EBIT	7.4	10.2	13.7	18.7
EBIT Margin (%)	8.6%	9.9%	11.4%	13.5%
Net Profit	2.4	4.4	7.4	10.9
Chg. % YoY	-41.5%	nm	69.1%	48.4%
Adjusted Net Profit	2.4	4.4	7.4	10.9
Chg. % YoY	-41.5%	nm	69.1%	48.4%
Net Fin. Position	-30.3	-31.1	-27.6	-20.3
Net Fin. Pos. / EBITDA Rep. (x)	2.0	2.0	1.3	0.7
Capex	na	-9.7	-8.7	-8.7
OpFCF b.t.	na	3.9	9.6	18.8
OpFCF b.t. as % of EBITDA	na	25.1%	45.4%	67.7%

Source: MeglioQuesto (historical figures), Value Track (estimates)

Investment case

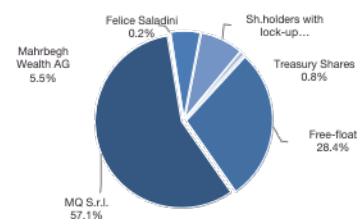
Strengths / Opportunities

- ◆ Increasing trend towards digitalization of CXM activities (virtual assistants/voicebot/NLP/remote-cloud contact center);
- ◆ Higher outsource penetration rate across several industries;
- ◆ Important M&A skills and strong partnerships with Tier 1 clients.

Weaknesses / Risks

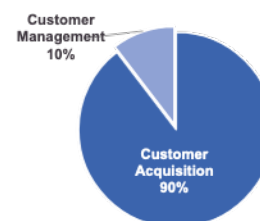
- ◆ Regulatory scenario;
- ◆ Competition in low-end segments of Italian outsourced CXM market.

Shareholders Structure



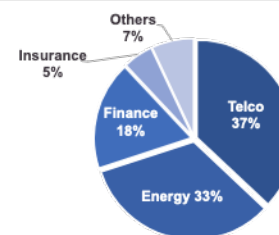
Source: MeglioQuesto

Revenues from Sales by Business Line



Source: MeglioQuesto, FY22

Revenues from Sales by Industry



Source: MeglioQuesto, FY22

Preliminary Financials 2Q-1H23

MeglioQuesto (“MQ”) 2Q-1H23 preliminary financial followed the path of the first quarter of the year in terms of Top Line evolution, but were weaker in terms of operating profitability and Net Debt evolution, the latter as a result of significant increase in capex connected to digital lead generation, and to some M&A cash out (increased stake in MeglioQuesto Human Srl, worth some €2.3mn cash out):

We highlight:

- ◆ Value of Production €48.5-49.5mn (€33.1mn in 1H22), supported by the digital channel and by finance clients;
- ◆ EBITDA Adj. at €8.2-8.7mn (1H22 €6.0mn);
- ◆ EBITDA €6.5-7.0mn (1H22 €5.4mn);
- ◆ Net Debt ≤€35mn (€29.5mn in 1Q23).

MeglioQuesto: 1H22-1H23 Key Financials

(IT GAAP, €mn)	1H22	2H22	1Q23	2Q23	1H23
Value of Production	44.0	40.8	25.0	23.5-24.5	48.5-49.5
EBITDA Adj.	9.9	5.2	4.2	4.0-4.5	8.2-8.7
<i>EBITDA Margin Adj. (%)</i>	<i>22.5%</i>	<i>11.9%</i>	<i>16.8%</i>	<i>n.a.</i>	<i>n.a.</i>
EBITDA	9.3	4.5	3.9	2.6-3.1	6.5-7.0
<i>EBITDA Margin (%)</i>	<i>21.1%</i>	<i>10.3%</i>	<i>15.6%</i>	<i>n.a.</i>	<i>n.a.</i>
Net Fin. Position [Net debt (-) / Cash (+)]	0.1	-30.3	-29.5	≤ -35.0	≤ -35.0

Source: MeglioQuesto, Value Track Analysis

Compared to Peers, MQ performed pretty in line. Indeed, Peers companies faced performance challenges, specifically:

- ◆ Concentrix attributed revenue shortfall to weak sales in telco, consumer electronics, and retail;
- ◆ Telus experienced below-expected results due to reduced demand from key tech clients and booking delays;
- ◆ Teleperformance's slowdown was linked to weak trends in telco, e-commerce, and consumer tech, partly due to unfavorable comparisons and a cooling US market.

Forecasts 2023E-25E

Key assumptions

Waiting for final 1H23 financials, we are slightly fine tuning downwards our 2023E-25E forecasts. Our key assumptions are:

- ◆ **Value of Production** starting to benefit from new initiatives already from 2023E but more importantly from 2024E and close to €20mn in 2025E (15% of the total);
- ◆ **EBITDA** progressively enhanced (especially from 2024E onwards) by the higher profitability of media advertising business (we estimate a 50% EBITDA margin out of the 5% commission MQSPA should be rewarded with from clients' budgets) and e-commerce one, and also thanks to the synergies arising from the integration of Eureweb and Smart Contact;
- ◆ **Net Financial Position** to progressively benefit from the EBITDA-OpFCF conversion rate once capex tied to lead investments will get lower.

Also, our estimates include the acquisition of Eureweb and Omicron minorities, partly in paper (offset by related capital injections in the schemes below), partly in cash.

As far as 2023E is concerned, our new estimates are in the lower part of the targets announced by the company in terms of Top Line and EBITDA Adj., while a bit worse in terms of Net Debt. As far as 2025E, we are a bit more cautious than MQSPA targets, but basically assuming a proper take-off of the new initiatives that are going to be launched by the company.

MeglioQuesto: New vs. Old 2023E-25E Estimates

IT GAAP, €mn	2023E			2024E			2025E		
	Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)
Value of Production	103.1	103.1	0.0%	120.6	120.6	0.0%	138.7	138.7	0.0%
EBITDA Adj.	19.2	18.0	-6.5%	24.2	23.6	-2.5%	29.3	29.2	-0.2%
EBITDA Adj. Margin (%)	18.6%	17.4%	-121bps	20.1%	19.6%	-50bps	21.1%	21.1%	-5bps
EBITDA	18.5	15.5	-16.7%	23.5	21.1	-10.3%	28.6	27.7	-2.9%
EBITDA Margin (%)	18.0%	15.0%	-300bps	19.5%	17.5%	-200bps	20.6%	20.0%	-60bps
EBIT	13.5	10.2	-23.9%	16.4	13.7	-16.2%	19.8	18.7	-5.5%
EBIT Margin (%)	13.1%	9.9%	-312bps	13.6%	11.4%	-221bps	14.3%	13.5%	-78bps
Net Profit	6.5	4.4	-33.1%	9.1	7.4	-19.5%	11.7	10.9	-6.2%
Net Margin (%)	6.3%	4.2%	-209bps	7.6%	6.1%	-148bps	8.4%	7.9%	-52bps
Net Financial Position	-27.1	-31.1	-4.0	-23.6	-27.6	-4.0	-15.5	-20.3	-4.8

Source: Value Track Analysis

MeglioQuesto: MQSPA Business Plan vs. VT Estimates

(IT GAAP, €mn)	2023E			2024E			2025E		
	MQSPA	VT	Δ	MQSPA	VT	Δ	MQSPA	VT	Δ
Value of Production	102.5	103.1	0.5%	121.3	120.6	-0.6%	140.0	138.7	-1.0%
EBITDA Adj.	19.0	18.0	-5.5%	25.5	23.6	-7.5%	32.0	29.2	-8.7%
EBITDA Adj. Margin (%)	18.5%	17.4%	-111bps	21.0%	19.6%	-146bps	22.9%	21.1%	-178bps
Net Financial Position	-25.0	-31.1	-6.1	-19.5	-27.6	-8.1	-14.0	-20.3	-6.3

Source: MQSPA, Value Track Analysis

Financial Statements 2022A-25E

MeglioQuesto: P&L 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Value of Production	79.3	103.1	120.6	138.7
Operating Expenses	-67.4	-87.6	-99.5	-110.9
EBITDA	11.8	15.5	21.1	27.7
<i>EBITDA margin (%)</i>	<i>14.9%</i>	<i>15.0%</i>	<i>17.5%</i>	<i>20.0%</i>
D&A	-4.7	-5.1	-7.3	-8.9
Impairments & Provisions	-0.5	-0.1	-0.1	-0.1
EBIT	6.6	10.2	13.7	18.7
<i>EBIT margin (%)</i>	<i>8.3%</i>	<i>9.9%</i>	<i>11.4%</i>	<i>13.5%</i>
Net Financial Charges	-2.4	-1.7	-1.4	-1.3
Taxes	-2.1	-2.8	-4.1	-5.7
Minorities	-0.5	-1.3	-0.9	-0.7
Net Profit	1.6	4.4	7.4	10.9

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Balance Sheet 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Net Fixed Assets	60.8	68.8	77.3	81.3
Net Working Capital	3.7	6.0	9.1	9.6
Provisions	1.4	1.7	1.8	1.9
Total Capital Employed	63.1	73.1	84.5	88.9
Group Net Equity	32.8	42.0	57.0	68.6
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-30.3	-31.1	-27.6	-20.3

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Cash Flow Statement 2022A-25E

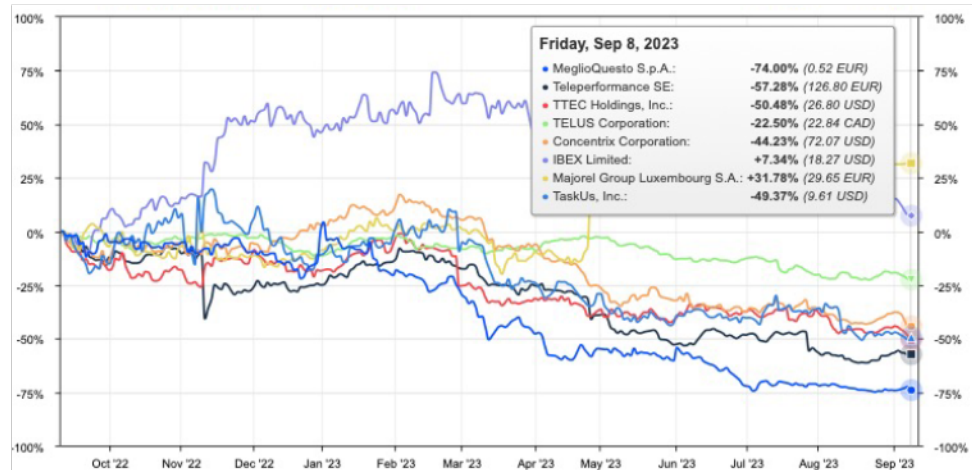
(IT GAAP, €mn)	2022A	2023E	2024E	2025E
EBITDA	11.8	15.5	21.1	27.7
Δ NWC, Provisions	-11.4	-1.9	-2.9	-0.3
Capex	-10.1	-9.7	-8.7	-8.7
OpFCF b.t.	-9.7	3.9	9.6	18.8
<i>As a % of EBITDA</i>	<i>-82%</i>	<i>25%</i>	<i>45%</i>	<i>68%</i>
Taxes	-2.1	-2.8	-4.1	-5.7
Capital Injections	8.3	3.5	6.7	0.0
Net Financial Charges	-2.4	-1.7	-1.4	-1.3
Fin. Inv./Minorities Acquisitions/Other	-18.2	-3.6	-7.3	-4.4
Δ Net Financial Position	-24.2	-0.8	3.5	7.3
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-30.3	-31.1	-27.6	-20.3

Source: MeglioQuesto, Value Track Analysis

Valuation

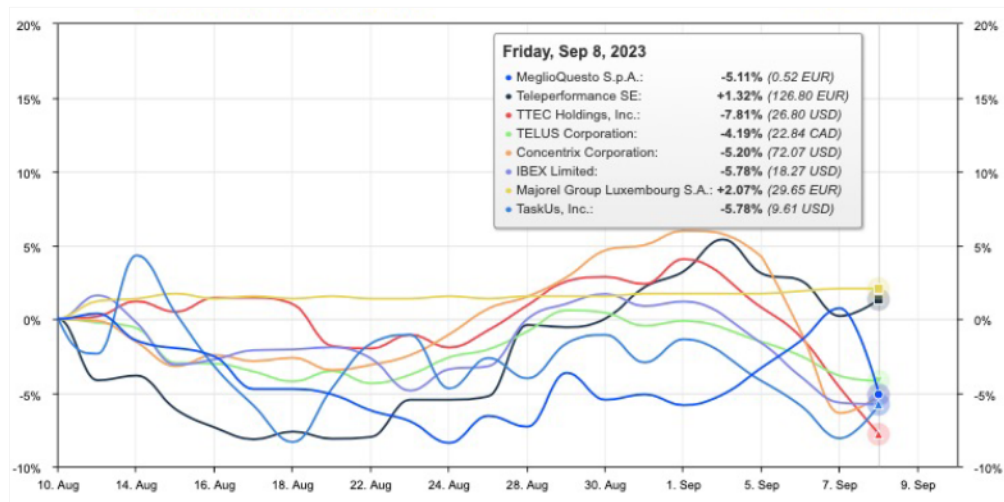
The stock prices evolution of international and domestic CX companies has been pretty weak in the latest months, with very few stocks recording a positive performance, affected by Tech sector multiples derating and by increasing fears of macroeconomic slowdown.

CX Sector: Stock price evolution -1Year



Source: S&P Capital IQ

CX Sector: Stock price evolution -1 Month



Source: S&P Capital IQ

As a result, CX stocks multiples are much lower than a couple of years ago, when MeglioQuesto shares went public.

That said, we note that at current market prices, MeglioQuesto shares are trading at a discount vs. the sector, also burdened by the overall gloomy stance of Italian funds that is driving an outflow from many stocks.

MeglioQuesto: Peers' Stock Trading Multiples

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Teleperformance	1.2	1.0	5.4	4.6	7.6	6.4	11.3	9.7
TTEC Holdings	0.9	0.8	7.4	6.7	12.6	11.3	21.9	18.7
Telus International	1.8	1.5	8.3	6.5	10.9	8.5	12.7	10.3
Concentrix	0.7	0.7	4.3	4.1	5.1	4.7	10.7	8.9
Ibex Limited	0.7	0.7	4.4	3.9	8.9	6.4	13.6	8.7
Majorel Group (*)	1.3	1.2	7.8	6.8	11.7	10.3	16.3	15.1
Taskus	1.3	1.1	5.7	4.8	14.3	10.2	22.7	15.9
International Peers Average	1.1	1.0	6.2	5.3	10.2	8.3	15.6	12.5
Almawave	2.3	1.9	11.4	7.1	18.4	9.9	28.2	15.8
Doxee	2.4	1.8	11.0	6.9	nm	17.5	nm	22.0
MutuiOnline	3.6	3.2	13.8	11.6	18.3	14.7	20.2	16.9
GPI	0.8	0.8	5.1	4.5	10.2	9.1	11.4	10.1
Italian Peers Average	2.3	1.9	10.3	7.5	15.6	12.8	19.9	16.2
Total Average	1.5	1.3	7.7	6.1	11.8	9.9	16.9	13.8
MeglioQuesto	0.87	0.63	5.8	3.6	8.8	5.5	7.6	4.5

Source: Market Consensus, Value Track Analysis, (*) Under takeover bid

Based on updated MeglioQuesto's estimates and sector stock market multiples we reduce our MeglioQuesto fair value at €1.50 p/s., entirely based on Peers' analysis, as DCF might be misleading in this scenario of low visibility on macroeconomic evolution.

At €1.50 p/s the stock would trade at 9.8x EV/EBITDA, 14.8x EV/EBIT, 21.8x P/E 2023E, almost in line with Italian Peers average.

MeglioQuesto: Multiples Sensitivity at Various Stock Price Levels

Price p/s	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
€ 0.50	0.86	0.62	5.7	3.5	8.6	5.4	7.3	4.3
€ 0.75	1.01	0.75	6.7	4.3	10.2	6.6	10.9	6.5
€ 1.00	1.17	0.88	7.8	5.0	11.7	7.7	14.6	8.6
€ 1.25	1.32	1.01	8.8	5.8	13.3	8.9	18.2	10.8
€ 1.50	1.47	1.14	9.8	6.5	14.8	10.0	21.8	12.9
€ 1.75	1.63	1.27	10.9	7.3	16.4	11.2	25.5	15.1
€ 2.00	1.78	1.40	11.9	8.0	17.9	12.3	29.1	17.2
€ 2.25	1.94	1.54	12.9	8.8	19.5	13.5	32.7	19.4
€ 2.50	2.09	1.67	13.9	9.5	21.0	14.6	36.4	21.5

Source: Value Track Analysis

Appendix – “Together 2023-2025”: New BP

On March 29th 2023, MeglioQuesto presented its new industrial plan to analysts and investors, entailing a significant evolution of the business model and of economic and financial KPIs.

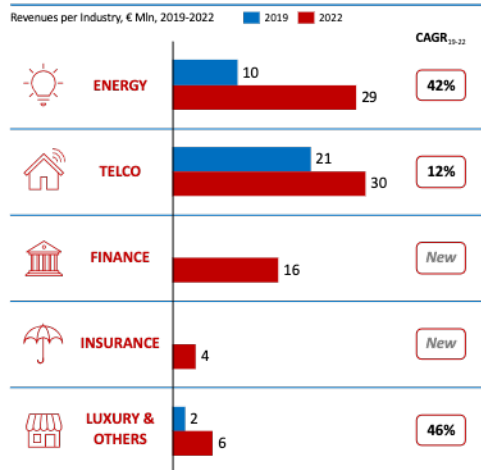
The starting point

The definition of MQSPA new industrial plan started from the assessment of recent years evolution, being centered on:

- ◆ **Double digit growth**, (37% Pro-Forma Value of Production CAGR19-22 and 39% Pro-Forma EBITDA CAGR19-22), driven by both organic and M&A efforts;
- ◆ **Top tier client / partner base**, i.e. MeglioQuesto serves clients who are leaders of the most important Italian industries;
- ◆ **Exposure to secular trends**, such as channels digitalization, enhanced and omnichannel customer experience, and AI.

MeglioQuesto: Market Leader Partners

MEGLIOQUESTO GROWTH IN EACH INDUSTRY



Source: MeglioQuesto

MEGLIOQUESTO MAIN PARTNERS



The brand new vision and growth strategy

MeglioQuesto new three-year vision is to become leader of the “**Phygital Audience**”, addressing the maximum number of users through omnichannel products and services in various industries.

Indeed, MQSPA wants to establish itself as the only **Phygital Marketplace** capable of offering services by perfectly integrating physical and digital channels.

The new business model should give priority to self-generated leads rather than rely on the traditional activity based on leads provided by clients. To do so, MeglioQuesto aims to broaden its offer at every step of the customer’s purchasing process, from generation of the specific need to after sale services.

The new strategy can be summarized in the following key points:

1. Fully exploit the Group commercial and operational synergies;
2. Integrate upstream and downstream the areas of need on which MQSPA intervenes;
3. Strengthening the positioning on already served industries and accessing new sectors;
4. Create new phygital touchpoints;
5. Establish as Phygital Marketplace.

To deliver the above-mentioned vision, MQSPA aims to broaden its portfolio of offered services by launching the following key initiatives:

- 1. Media Advertising services:** acquisition and management of corporate partners' media budgets for the self-generation of leads;
- 2. Phygital Touchpoints:** new MQSPA-labeled touchpoints for customer acquisition activities;
- 3. E-Commerce:** sales of functional/ancillary products accessible from all touchpoints (refurbished telephones, smart-home appliances, household appliances, others);
- 4. Installation services** of clients' products such as photovoltaic systems, HVAC, optical fiber systems through third parties networks (network of 2,500 installators);
- 5. AI Tools:** customer management activities will use Artificial Intelligence solutions for after-sale assistance.





Key Financial Targets

As far as 2025E is concerned, MQSPA is targeting: **Value of Production at ca. €140mn** (17.5% CAGR22A-25E), **EBITDA Adj. Margin** growing by over 500bps up to **ca. 23%** and **Net Financial Position** reducing by over a half to **ca. €14mn**.

This should be achieved mainly thanks to:

1. Significant contribution of new initiatives already from 2024E;
2. Higher profitability of new "digital-engine" initiatives vs. traditional business (e.g., self-generated leads, e-commerce, media advertising services based on fees) and integration of recently acquired subsidiaries (such as Eureweb);
3. Heavy capex plan devoted on self-generated leads being offset by Working Capital normalization, hence boosting Operating Free Cash Flow generation.

MeglioQuesto: Business Plan KPIs

	2022A	2023E	2025E
VALUE OF PRODUCTION 	86,3 € Mln	100-105 € Mln	~140 € Mln
EBITDA ADJ. 	15,1 € Mln	18-20 € Mln	~32 € Mln
EBITDA ADJ. MARGIN 	17,6 %	18-19 %	~23 %
PFN 	30,3 € Mln	24-26 € Mln	~14 € Mln

Source: MeglioQuesto

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